

Message Text

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PAGE 01 GENEVA 10310 01 OF 02 071727Z
ACTION STR-07

INFO OCT-01 ARA-10 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 AF-10 EA-10 EUR-12 NEA-10 OIC-02
XMB-02 JUSE-00 /170 W
-----049762 071743Z /45

P 071704Z JUL 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 1759
INFO AMEMBASSY SANTIAGO

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 10310

USMTN

ACTION STR

EO 11652: N/A
TAGS: ETRD, MTN, CI
SUBJECT: MTN: CHILEAN REQUESTS AND OFFERS

REF: (A) GENEVA 09535 (B) GENEVA A-195

1. SUMMARY: US MTN DEL MET WITH CHILEAN DELEGATION FROM SANTIAGO TO REVIEW US OFFERS OF INTEREST TO CHILE, AND TO CLARIFY INITIAL CHILEAN REQUESTS. CHILEAN DEL EMPHASIZED IMPORTANCE OF OFFER TO BIND THEIR COMPLETE TARIFF SCHEDULES AT A UNIFORM LEVEL ABOVE 10 PERCENT LEVEL THAT WOULD BE REACHED FOR CHILEAN TARIFFS ON JULY 1, 1979, WITH LEVEL OF CEILING BINDING TO BE DETERMINED BY RESPONSES TO CHILEAN REQUESTS IN MTN. END SUMMARY.

2. US MTN DEL (KNEPPER) MET WITH CHILEAN DELEGATION FROM LIMITED OFFICIAL USE

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PAGE 02 GENEVA 10310 01 OF 02 071727Z

SANTIAGO LED BY FUCHS, CENTRAL BANK DIRECTOR FOR FOREIGN TRADE, AND REVIEWED REQUESTS AND OFFER THAT CHILE WAS TABLING IN MTN, (FORWARDED TO WASHINGTON AGENCIES IN REF. B). US MTN DEL NOTED THAT IN ADDITION TO CHILE'S INTEREST IN US OFFER TABLED JANUARY 23, 1978 (DESCRIBED IN GENEVA 03691) JUNE 19 ADDENDUM INCLUDED OFFERS ON AN ADDITIONAL SIX PRODUCTS WHICH CHILE HAD EXPORTED TO THE US IN 1976.

US DEL HELD PRELIMINARY CLARIFICATION SESSION ON OVER 260 PRODUCTS REQUESTED BY CHILE, INCLUDING EIGHT AGRICULTURAL PRODUCTS ON WHICH CHILE WAS PRINCIPAL SUPPLIER IN US MARKET (LISTED IN PARA. 2 OF GENEVA 03691). US MTN DEL NOTED THAT ON GREAT MAJORITY OF CHILEAN REQUESTS, CHILE WAS NEITHER A PRINCIPAL OR SUBSTANTIAL SUPPLIER, AND THAT WHETHER THE US WOULD IMPLEMENT A TARIFF REDUCTION ON THOSE PRODUCTS WOULD DEPEND UPON THE NEGOTIATIONS WITH THE LEAD-SUPPLIERS. MTN DEL ALSO NOTED THAT REQUESTS WERE RECEIVED VERY LATE IN THE NEGOTIATIONS AND IT WOULD BE VERY DIFFICULT TO OBTAIN A PROMPT RESPONSE TO CHILE'S REQUESTS.

3. CHILEAN DEL REGRETTED THAT GOC ONLY RECENTLY FOCUSSED ATTENTION ON THE MTN, BUT NOTED ITS' INTENTION TO PARTICIPATE AS ACTIVELY AS POSSIBLE BOTH IN THE PRODUCT NEGOTIATIONS AND IN THE WORK ON THE CODES, NOTING A SPECIAL INTEREST IN GOVERNMENT PROCUREMENT, GIVEN CHILE'S COMPETITIVE INTERNAL PROCUREMENT POLICIES, AND INCREASINGLY COMPETITIVE EXPORT POTENTIAL. CONCERNING CHILE'S REQUESTS ON AGRICULTURAL ITEMS, CHILEAN DEL UNDERTOOK TO SPECIFY REQUEST FOR SEASONAL EX-OUTS ON FRUITS AND VEGETABLES FOR DECEMBER-APRIL PERIOD WHICH CORRESPONDS WITH CHILEAN HARVEST SEASON.

4. CHILEAN DEL SAID THAT FOREIGN TRADE POLICY OF INCREASING LIMITED OFFICIAL USE

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PAGE 03 GENEVA 10310 01 OF 02 071727Z

ING LIBERALIZATION SINCE 1973 HAD BROUGHT SUBSTANTIAL BENEFITS AND LARGE INCREASES IN NON-TRADITIONAL EXPORTS. POLICY HAD BEEN SO SUCCESSFUL THAT CHILE HAD ADOPTED A PROGRAM TO REDUCE TARIFFS TO AN ACROSS-THE-BOARD LEVEL OF 10 PERCENT BY JULY 1, 1979, WITH THE EXCEPTION OF A FEW TARIFFS ON AUTOMOTIVE VEHICLES AND PARTS, (WHERE CONTRACTS WITH FOREIGN COMPANIES PREVENTED RAPID LOWERING OF TARIFFS). TARIFFS WHICH HAD BEEN NEGOTIATED EITHER IN THE GATT OR IN LAFTA AT LOWER THAN 10 PERCENT LEVELS WOULD BE MAINTAINED AT THESE LEVELS.

5. CHILEAN MTN OFFER IS DESCRIBED IN JUNE 26 LETTER FROM CHILEAN DELEGATION AS FOLLOWS:

A. IMMEDIATE BINDING OF TARIFFS IN CHAPTERS 25 THROUGH 99 AT A UNIFORM LEVEL OF, FOR EXAMPLE, 60 PERCENT OR PERHAPS 40 PERCENT OR PERHAPS 80 PERCENT, OR WHATEVER LEVEL CORRESPONDS TO THE BENEFITS THAT CHILE RECEIVES AT THE END OF THE NEGOTIATION. THE ONLY EXCEPTION TO ALL OF THE ABOVE WOULD BE TARIFFS OF TARIFF CLASSIFICATION 87.02 TO 87.07 (MOTOR VEHICLES) WHOSE CONSOLIDATION WILL BE DEFERRED UNTIL

1983;

B. IMMEDIATE BINDING OF TARIFFS OF CHAPTERS 1 TO 24,
ALSO AT A UNIFORM LEVEL, THAT COULD BE SIMILAR OR
NOT TO THAT MENTIONED ABOVE. THE LEVEL WOULD TAKE
INTO CONSIDERATION THE PRESENT DISTORTIONS IN
INTERNATIONAL MARKETS.

C. ALL OF THE ABOVE WOULD NOT AFFECT THOSE TARIFF
CLASSIFICATIONS THAT PRESENTLY RECEIVE MORE FAVOR-
ABLE TREATMENT AS A CONSEQUENCE OF THE CONCESSIONS
GIVEN BY CHILE IN THE KENNEDY ROUND.

CHILEAN DEL CHARACTERIZED THEIR OFFER OF ACROSS THE
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PAGE 04 GENEVA 10310 01 OF 02 071727Z

BOARD CEILING BINDINGS AS VERY SIGNIFICANT, NOTING THAT

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PAGE 01 GENEVA 10310 02 OF 02 071729Z
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INFO OCT-01 STRE-00 IO-13 ISO-00 AF-10 ARA-10 EA-10
EUR-12 NEA-10 OIC-02 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
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FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 1760
INFO AMEMBASSY SANTIAGO

LIMITED OFFICIAL USE SECTION 02 OF 02 GENEVA 10310

USMTN

ACTION STR

UNIVERSALITY OF THEIR OFFER HAD STARTLED GATT OFFICIALS.
LEVEL AT WHICH TARIFFS WOULD BE BOUND DEPENDS UPON
RESPONSE THAT CHILE RECEIVES TO REQUESTS IT WAS ADDRESSING
NOT ONLY TO THE US BUT TO THE EC, JAPAN AND CANADA AS WELL.

6. US MTN DEL NOTED WITH INTEREST CHILEAN OFFER, OBSERVING
THAT IT WOULD, OF COURSE, BE OF MUCH GREATER VALUE IF SOME
BINDINGS COULD BE UNDERTAKEN AT 10 PERCENT LEVEL THAT
TARIFFS WERE TO REACH BY JULY 1, 1979. US MTN DEL IN-
QUIRED AS TO POSSIBILITY OF SOME BINDINGS ON INDIVIDUAL
PRODUCTS OF PARTICULAR INTEREST TO THE US, SUCH AS HAD
BEEN NOTIFIED IN US INDICATIVE LISTS OF EXPORT INTERESTS.
CHILEAN DEL REPLIED THAT THEY WOULD PREFER, AS FIRST
APPROXIMATION, TO HAVE UNIFORM LEVEL OF BINDINGS ACROSS
THE BOARD, AND TO LOWER LEVEL OF OVERALL BINDING TO
CORRESPOND TO OFFERS RECEIVED ON THEIR REQUESTS. HOWEVER,
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PAGE 02 GENEVA 10310 02 OF 02 071729Z

CHILEAN DEL DID NOT RULE OUT POSSIBILITY OF MAKING SOME
BINDINGS AT THE ACTUAL TARIFF LEVELS. CHILEAN DEL RETURN-
ED TO SANTIAGO JULY 5, WITH PLANS TO SEND ADDITIONAL
TEAM TO GENEVA TO PARTICIPATE IN POST-JULY 15 WIND UP
NEGOTIATIONS.

7. ACTION REQUESTED: CHILEAN REQUESTS HAVE BEEN FORWARDED
TO WASHINGTON IN REF. (B). PRINCIPAL REQUESTS APPEAR TO
BE THOSE ON AGRICULTURAL PRODUCTS IN WHICH CHILE IS PRIN-
CIPAL SUPPLIER MENTIONED IN PARA 2 OF GENEVA'S 03691.
GIVEN TABLING OF CHILEAN OFFER, US IS NOW IN ACTIVE
NEGOTIATIONS WITH CHILEAN DEL AND WOULD APPRECIATE ADVISE
AS TO WHEN POSSIBLE US OFFERS COULD BE RECEIVED. US MTN
DEL WOULD ALSO APPRECIATE ADVICE ON VALUING OF CEILING
BINDINGS OF ENTIRE TARIFF SCHEDULES AT LEVELS SOME 30-40
PERCENTAGE POINTS ABOVE LEVEL TO BE REACHED BY JULY 1,
1979.

8. DRAFTED BY KNEPPER. MCDONALD

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